

401(k) PLAN CHECKLIST

This Checklist is *not* a complete description of all plan requirements, and should *not* be used as a substitute for a complete plan review.

For Business Owner's Use

(DO NOT SEND THIS WORKSHEET TO THE IRS)

Every year it is important that you review the requirements for operating your 401(k) retirement plan. This checklist is a "quick tool" to help you keep your plan in compliance with many of the important rules. Underlined text below shows a link to expanded explanations and resources available at www.irs.gov/ep.

1. Has your plan document been updated within the past few years to reflect recent law changes? Yes ☐ No ☐

If your plan has not been updated to reflect EGTRRA, the plan needs to be revised.

2. Have you notified the people who service your plan of any plan changes? Yes ☐ No ☐

Notify plan servicers right away with any changes in the form or operation of your plan, including acquisition or ownership changes affecting the employer.

3. Is your plan's operation based on the definitions and requirements (terms) written in your plan document? Yes ☐ No ☐

Failure to follow the terms of the plan is a common problem encountered on audit.

4. Were all eligible employees identified and given the opportunity to make an elective deferral election? Yes ☐ No ☐

By supplying your third party administrator (TPA) or advisor with information regarding all employees who receive a Form W-2, you may reduce the risk of omitting eligible employees.

5. Is the plan's definition of compensation used for all deferrals and allocations? Yes ☐ No ☐

Because your plan may use different definitions of compensation for different purposes, it's important that you apply the proper definition in a consistent manner when dealing with deferrals and allocations.

6. Have you timely deposited employee deferrals each pay period? Yes ☐ No ☐

You are required to deposit deferrals as soon as they can be segregated from the employer's assets. Most employers deposit salary deferrals when making payroll tax deposits.

7. Have you identified all your highly compensated employees and key employees, including owners and their family members, so that your TPA can perform your nondiscrimination tests? Yes ☐ No ☐

Failure to provide this information prevents your TPA from properly performing your nondiscrimination tests.

8. Have the 401(k) nondiscrimination tests (ADP, ACP, and Top Heavy) been performed counting all eligible employees? Yes ☐ No ☐

You may not need to—find out how a safe harbor 401(k) plan may allow you to completely avoid these tests.

9. Have you filed a Form 5500 series return, and have you distributed a Summary Annual Report (SAR) to all plan participants this year? Yes ☐ No ☐

Responsibility for filing the Form 5500 and distributing the SAR lies with you, the plan sponsor.

10. Are elective deferrals limited to the amounts under IRC 402(g) for the calendar year? Yes ☐ No ☐

Elective deferrals are limited to \$15,000 for 2006, including any designated Roth contributions made by participants, and exclusive of any catch-up contributions.

If you answered "No" to any of the above questions, you may have a mistake in the operation of your 401(k) plan. This list is only a guide to a more compliant plan, so answering yes to each question may not mean your plan is 100% compliant. Many mistakes can be corrected easily, without penalty and without notifying the IRS.

■ contact your benefits professional

■ visit the IRS at www.irs.gov/ep

■ call the IRS at (877) 829-5500



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